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2 **UNITED STATES BANKRUPTCY COURT**
3 **NORTHERN DISTRICT OF CALIFORNIA**
4 **SAN FRANCISCO DIVISION**

5 In re:

6 **PG&E CORPORATION,**

7 **- and -**

8 **PACIFIC GAS AND ELECTRIC**
9 **COMPANY,**

10 **Debtors.**

- 11 Affects PG&E Corporation
12 Affects Pacific Gas & Electric Company
13 Affects both Debtors

14 **All papers shall be filed in the Lead Case*
15 *No. 19-30088 (DM)*

16 Bankruptcy Case No. 19-30088 (DM)

17 Chapter 11

18 (Lead Case)

19 (Jointly Administered)

20 **SECOND INTERIM AND FINAL FEE**
21 **APPLICATION OF LAZARD FRÈRES & CO.**
22 **LLC FOR ALLOWANCE AND PAYMENT OF**
23 **COMPENSATION AND REIMBURSEMENT**
24 **OF EXPENSES INCURRED AS INVESTMENT**
25 **BANKER TO THE DEBTORS FOR THE**
26 **PERIOD FROM JANUARY 29, 2019**
27 **THROUGH JULY 1, 2020**

28 Date: TBD, 2020

1 Time: 9:30 a.m. (Pacific Time)

2 Place: United States Bankruptcy Court
3 Courtroom 17, 16th Floor
4 450 Golden Gate Avenue
5 San Francisco, CA 94102

6 Re: Dockets Nos.: 2769 & 3403

7 **Objection Deadline:**

8 September 21, 2020 at 4:00p.m (Pacific Time)

General Information

Name of Applicant: Lazard Frères & Co. LLC
Authorized to Provide Professional Services to: Debtors and Debtors-In-Possession
Petition Date: January 29, 2019
Retention Date: May 24, 2019 *nunc pro tunc* January 29, 2019
Prior Applications: January 29, 2019 through March 31, 2019

Summary of Fees and Expenses Sought in this Application

Time Period Covers by this Application: January 29, 2019 through July 1, 2020

Amount of Compensation Sought as Actual,
Reasonable, and Necessary for
the Interim Compensation Period: \$30,300,000.00 (100%)

Amount of Expense Reimbursement Sought as
Actual, Reasonable, and Necessary for
the Interim Compensation Period: \$858,673.48

Amount of Compensation Sought as Actual,
Reasonable, and Necessary for
the Final Compensation Period: \$31,200,000.00 (100%)¹

Amount of Expense Reimbursement Sought as
Actual, Reasonable, and Necessary for
the Final Compensation Period: \$1,093,273.01

Total Compensation and Expenses Requested for
the Final Compensation Period: \$32,293,273.01

Compensation and Expenses Sought in this Application Not Yet Paid: \$29,219,571.51

¹ Lazard's retention was approved pursuant to the terms and conditions set forth in its engagement letter dated January 4, 2019 (the "Engagement Letter") as limited or modified by the Retention Order [Dkt. No. 2229]. Prior to the commencement of these cases, the PG&E Debtors paid Lazard \$300,000 for the month of February 2019 pursuant to the Engagement Letter.

This is a: monthly interim final application

SUMMARY OF MONTHLY FEE STATEMENTS FOR THE FINAL COMPENSATION PERIOD

Date Filed Docket No.	Period Covered	Fees Due (80% Fees)	Holdback (20% Fees)	Expenses Requested (100% Expenses)	Amounts Paid to Date	Remaining Unpaid Amount
06/26/19 Dkt. #2769	1/29/19 – 4/30/19	\$480,000.00 ²	\$120,000.00 ²	\$193,796.88	\$673,796.88	\$120,000.00
08/07/19 Dkt. #3403	5/1/19 – 5/31/19	\$240,000.00	\$60,000.00	\$40,802.65	\$280,802.65	\$60,000.00
10/11/19 Dkt. #4192	6/1/19 – 6/30/19	\$240,000.00	\$60,000.00	\$186,460.68	\$426,460.68	\$60,000.00
11/21/19 Dkt. #4834	7/1/19 – 7/31/19	\$240,000.00	\$60,000.00	\$112,808.63	\$352,808.63	\$60,000.00
11/26/19 Dkt. #4871	8/1/19 – 8/30/19	\$240,000.00	\$60,000.00	\$38,012.36	\$278,012.36	\$60,000.00
01/22/20 Dkt. #5448	9/1/19 – 9/30/19	\$240,000.00	\$60,000.00	\$38,498.27	\$278,498.27	\$60,000.00
01/30/20 Dkt. #5560	10/1/19 – 10/31/19	\$240,000.00	\$60,000.00	\$99,007.83	\$339,007.83	\$60,000.00
02/06/20 Dkt. #5677	11/1/19 – 11/30/19	\$240,000.00	\$60,000.00	\$204,314.20	\$444,314.20	\$60,000.00
03/23/20 Dkt. #6422	12/1/19 – 12/31/19	\$240,000.00	\$60,000.00	\$17,859.47	\$0.00	\$317,859.47
04/28/20 Dkt. #6961	1/1/20 – 1/31/20	\$240,000.00	\$60,000.00	\$27,492.51	\$0.00	\$327,492.51
05/20/20 Dkt. #7434	2/1/20 – 2/29/20	\$240,000.00	\$60,000.00	\$32,007.09	\$0.00	\$332,007.09
06/03/20 Dkt. #7836	3/1/20 – 3/31/20	\$240,000.00	\$60,000.00	\$14,098.16	\$0.00	\$314,098.16
06/15/20 Dkt. #7954	4/1/20 – 4/30/20	\$240,000.00	\$60,000.00	\$0.00	\$0.00	\$300,000.00
07/07/20 Dkt. #8293	5/1/20 – 5/31/20	\$240,000.00	\$60,000.00	\$0.00	\$0.00	\$300,000.00
08/06/20 Dkt. #8691	6/1/20 – 6/30/20	\$240,000.00	\$60,000.00	\$88,114.28	\$0.00	\$388,114.28
08/31/20 Current	Current	\$21,120,000.00	\$5,280,000.00	\$0.00	\$0.00	\$26,400,000.00
TOTAL		\$24,960,000.00	\$6,240,000.00	\$1,093,273.01	\$3,073,701.50	\$29,219,571.51

² Lazard's retention was approved pursuant to the terms and conditions set forth in its engagement letter dated January 4, 2019 (the "Engagement Letter") as limited or modified by the Retention Order [Dkt. No. 2229]. Prior to the commencement of these cases, the PG&E Debtors paid Lazard \$300,000 for the month of February 2019 pursuant to the Engagement Letter.

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2 Summary of Any Objections to Monthly Fee Statements: None
3 Compensation and Expenses Sought in this Application Not Yet Paid: \$29,219,571.51
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**COMPENSATION BY PROFESSIONAL
FOR THE FINAL PERIOD JANUARY 29, 2019 THROUGH JULY 1, 2020**

Name of Professional Individual	Position of the Applicant and Area of Expertise	Hourly Billing Rate (including Changes)	Total Hours Billed	Total Compensation
Kenneth M. Jacobs	Chief Executive Office	n/a	12.0	n/a
David S. Kurtz	Vice Chairman	n/a	31.0	n/a
Mary Ann Deignan	Managing Director	n/a	5.0	n/a
Tomer Perry	Managing Director	n/a	133.0	n/a
Ken Ziman	Managing Director	n/a	3,067.8	n/a
Christopher Couvelier	Director	n/a	7.5	n/a
Gregory Hort	Director	n/a	761.1	n/a
Christian Tempke	Director	n/a	457.8	n/a
Charles H. Kim	Vice President	n/a	4.0	n/a
Komu Kumar	Vice President	n/a	127.5	n/a
Craig Durrant	Vice President	n/a	3.0	n/a
Eli Silverman	Vice President	n/a	5,327.8	n/a
Andrew Wood	Vice President	n/a	3.0	n/a
Daniel Bier	Associate	n/a	828.5	n/a
Garrett Deutsch	Associate	n/a	84.0	n/a
Leah Friedman	Associate	n/a	7.0	n/a
Daniel Katz	Associate	n/a	2,153.0	n/a
Alexander Lotz	Associate	n/a	14.5	n/a
Nathan Mooney	Associate	n/a	3,131.5	n/a
Erik Overman	Associate	n/a	101.0	n/a
Matt Strain	Associate	n/a	1,459.5	n/a
Luke Cummings	Analyst	n/a	834.5	n/a
Liam Fine	Analyst	n/a	1,690.5	n/a
Kevin Hatch	Analyst	n/a	2,314.8	n/a
Michael Hinz	Analyst	n/a	22.0	n/a
Dan Liotta	Analyst	n/a	2,267.3	n/a
Maxwell Lubkeman	Analyst	n/a	8.0	n/a
Quinn Pitcher	Analyst	n/a	19.0	n/a
Caroline Sambuco	Analyst	n/a	25.5	n/a

1	Name of Professional Individual	Position of the Applicant and Area of Expertise	Hourly Billing Rate (including Changes)	Total Hours Billed	Total Compensation
2	Katherine Tobeason	Analyst	n/a	160.0	n/a
3	Bryant Wang	Analyst	n/a	327.5	n/a
4	TJ Nzewi	Analyst	n/a	54.0	n/a
5	Logan Piper	Analyst	n/a	93.0	n/a
6	Mackenzie Peebles	Analyst	n/a	61.0	n/a
7	Scott Belinsky	Analyst	n/a	1,507.0	n/a
8	William Zhao	Analyst	n/a	152.5	n/a
9	TOTAL			27,256.1	\$31,200,000.00

**COMPENSATION BY WORK TASK CODE
FOR THE FINAL PERIOD JANUARY 29, 2020 THROUGH JULY 1, 2020**

Project Categories	Total Hours	Total Fees
Interface with Professionals, Official Committees, and Other Parties-In-Interest	7,690.8	n/a
Business Operations Planning, Monitoring, Reporting and Analysis and Projections	905.3	n/a
Preparation and/or review of Court Filings	310.4	n/a
Court Testimony/Deposition and Preparation	975.9	n/a
Valuation Analysis	836.2	n/a
Capital Structure Review and Analysis	4,571.9	n/a
Merger & Acquisition Activity	112.4	n/a
Financing including DIP and Exit Financing	3,692.8	n/a
General Corporate Finance, Research and Analysis, and Other Due Diligence	8,098.2	n/a
Fee Application, Engagement	60.1	n/a
Employee Retention Program	2.0	n/a
TOTAL	27,256.1	\$31,200,000.00

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EXPENSE SUMMARY
FOR THE FINAL PERIOD JANUARY 29, 2019 THROUGH JULY 1, 2020

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Expense Category	Service Provider (if applicable)	Total Expenses
Car Services and Taxis		\$49,169.50
Employee Meals		3,314.47
Legal Expenses		4,167.58
Legal Fees		600 510 023
Meals – Meetings/Travel		20,085.23
Travel		317,025.30
Total Expenses		\$1,093,273.01

Lazard is seeking reimbursement for less than the amount of their total legal fees from Debevoise based on an agreement between Lazard and the Debtors that only a portion of the full Debevoise invoices would be reimbursable

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33 450 Golden Gate Avenue
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35 Re: Dockets Nos.: 2769 & 3403

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37 September 21, 2020 at 4:00p.m (Pacific Time)

Lazard Fr  res & Co. LLC (“**Lazard**” or the “**Applicant**”), investment banker to PG&E Corporation and Pacific Gas and Electric Company (the “**Debtors**”), hereby submits its Second Interim and Final Fee Application (the “**Final Fee Application**”), pursuant to section 330 and 331 of title 11 of the United States Code (the “Bankruptcy Code”), Rule 2016 of the Federal Rules of Bankruptcy Procedures (the “Bankruptcy Rules”), and the Local Rules of Bankruptcy Practice and Procedures of the United States Bankruptcy Court for the Northern District of California (the “Local Rules”). By this Final Fee Application, Lazard seeks allowance

of compensation for professional services rendered and for reimbursement of actual and necessary expenses incurred by Lazard for the period from June 1, 2019 through and including July 1, 2020 (the “**Interim Compensation Period**”) in the amount of \$31,158,673.48 and allowance of compensation for professional services rendered and actual and necessary expenses incurred by Lazard for the period from January 29, 2019 through and including July 1, 2020 (the “**Final Compensation Period**”) on a final basis in the amount of \$32,293,273.24 and respectfully represents as follows:

BACKGROUND

1. On January 29, 2019 (the “**Petition Date**”), each of the Debtors filed voluntary petition for relief under chapter 11 of the Bankruptcy Code. Prior to their emergence from Chapter 11 on July 1, 2020, the Debtors continued to operate their businesses and manage their properties as debtors-in-possession pursuant to Sections 1107(a) and 1108 of title 11 of the Bankruptcy Code.

1 2. On February 28, 2019, this Court entered an Order establishing procedures
2 for interim compensation and reimbursement of expenses during these chapter 11 cases [Docket
3 No. 701] (the “**Interim Compensation Order**”).

4 3. On May 24, 2019, this Court entered certain Order Pursuant to 11 U.S.C.
5 §§ 327(a) and 328 (a) and Fed. R. Bankr. P. 2014(a) and 2016 Authorizing the Retention and
6 Employment and Retention of Lazard Frères & Co. LLC as Investment Banker to the Debtors
7 Effective as of Petition Date [Docket No. 2229] (the “**Retention Order**”) attached hereto as
8 **Exhibit A.**

9 4. Cases in accordance with the terms and conditions set forth in the
10 Engagement Letter (including the terms of the Indemnification Letter). The terms of the
11 Engagement Letter reflect the mutual agreement between the Debtors and Lazard as to the
12 substantial efforts that may be required of Lazard throughout the course of these proceedings.
13 The Engagement Letter provides, in consideration for the compensation contemplated thereby,
14 that Lazard will, to the extent reasonably requested by the Debtors, render the following
15 investment banking services (collectively, the “**Services**”)⁴
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- 17 a) Reviewing and analyzing the Debtors’ business, operations and financial
18 projections;
- 19 b) Assisting to formulate strategic and structural alternatives in connection with
20 any Transaction, Restructuring, and/or Financing, as applicable;
- 21 c) Evaluating the Debtors’ potential debt capacity in light of its projected cash
22 flows;
- 23 d) Assisting in the determination of a capital structure for the Debtors;

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28 ⁴In the event of any inconsistency between the description of the Services as set forth herein and the Engagement Letter, the
Engagement Letter shall control.

- 1 e) Assisting in the determination of a range of values for the Debtors on a going
2 concern basis;
- 3 f) Advising the Debtors on tactics and strategies for negotiating with their
4 Stakeholders;
- 5 g) Rendering financial advice to the Debtors and participating in meetings or
6 negotiations with their Stakeholders and/or rating agencies or other
7 appropriate parties in connection with any Transaction, Restructuring, and/or
8 Financing;
- 9 h) Advising the Debtors on the timing, nature, and terms of new securities, other
10 consideration or other inducements to be offered pursuant to any Transaction,
11 Restructuring, and/or Financing;
- 12 i) Advising and assisting the Debtors in evaluating any potential Financing, and,
13 subject to Lazard's agreement to act and, if requested by Lazard, to the
14 execution of appropriate agreements, contacting potential sources of capital as
15 the Debtors may designate and assisting the Debtors in implementing such
16 Financing;
- 17 j) Assisting the Debtors in preparing documentation within Lazard's area of
18 expertise that is required in connection with any Transaction and/or
19 Restructuring;
- 20 k) Assisting the Debtors in identifying and evaluating candidates for any
21 potential Transaction, advising the Debtors in connection with negotiations,
22 and aiding in the consummation of any Transaction;
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- l) Attending meetings of the Boards of Directors of the Debtors with respect to matters on which Lazard has been engaged to advise pursuant to the Engagement Letter;
 - m) Providing testimony, as necessary, with respect to matters on which Lazard has been engaged to advise pursuant to the Engagement Letter in any proceeding before the Court;
 - n) Providing the Debtors with shareholder advisory services and advice on corporate preparedness matters; and
 - o) Providing the Debtors with other investment banking and financial restructuring advice.

5. On June 20, 2020, the Court entered the *Order Confirming Debtors' and Shareholder Proponents' Joint Chapter 11 Plan of Reorganization Dated June 19, 2020* [Docket No. 8053] (the "Plan").

6. On July 1, 2020, the Effective Date of the Plan occurred, and the Plan was consummated. Therefore, pursuant to sections 2(c) and 2(d) of the Engagement Letter, as amended by the Retention Order, Lazard is billing a Restructuring/Financing fee in the amount of \$26,400,000 in this Final Application.

JURISDICTION

7. This court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334. This is a core proceeding within the meaning of 28 U.S.C. §157(b)(2). Venue of the Chapter 11 case in this district is proper under 28 U.S.C. §§ 1408 and 1409.

8. The statutory and legal bases for the relief requested herein (collectively, the ‘‘Guidelines’’) are sections 327(a), 328(a), 330 and 331 of title 11 of the Bankruptcy Code, Rule 2016 of the Bankruptcy Rules, the Local Bankruptcy Rules, and the Retention Order.

COMPENSATION REQUEST

9. Lazard seeks allowance of compensation for professional services rendered to the Debtors during the Interim Compensation Period in the aggregate amount of \$30,300,000.00 and for reimbursement of expenses incurred in connection with the rendition of such services in the aggregate amount of \$858,673.48, for a total amount due of \$31,158,673.48 (the “**Interim Compensation Amount**”) and on a final basis, allowance of compensation for professional services rendered to the Debtors during the Final Compensation Period in the aggregate amount of \$31,200,000.00 and for reimbursement of expenses incurred in connection with the rendition of such services in the aggregate amount of \$1,093,273.01, for a total amount due of \$32,293,273.01 (the “**Final Compensation Amount**”).

10. Lazard is entitled to payment of several fees as set forth in the Retention Application and the Engagement Letter, as approved by the Retention Order. A summary of the compensation earned by Lazard in the Final Compensation Period is set forth below.

Monthly Fees	\$4,800,000 ⁵
Financing Fees	\$172,700,000
Restructuring Fee	\$25,000,000
Monthly Fee Crediting	(\$750,000)
Financing Fee Crediting per Engagement Letter	(\$18,000,000)
Additional Crediting per Retention Order	(147,550,000)
Agreed Fee Accommodation	(\$5,000,000) ⁶
Total	\$31,200,000

⁵ Prior to the commencement of these cases, the PG&E Debtors paid Lazard \$300,000 for the month of February 2019 pursuant to the Engagement Letter.

⁶This represents a voluntary reduction of Lazard's aggregate fees for these Cases by \$5,000,000, made at the request of, and as an accommodation to, the Debtors.

1 11. Pursuant to, and consistent with, the relevant requirements of the
2 applicable provisions of the Guidelines, the following exhibits are attached hereto:

- 3 a) **Exhibit A** contains the Retention Order;
4 b) **Exhibit B** contains Lazard's detailed time records for the Interim
5 Compensation Period; and
6 c) **Exhibit C** contains Lazard's expense detail for the Interim Compensation
7 Period, including the invoices and supporting time records of its external
8 counsel.
9 d) **Exhibit D** is a summary setting forth the name of each professional for
10 whose work on these reorganization cases compensation is sought.

11 12. First, Lazard earned a Monthly Fee of \$300,000.00 for each month during
12 the Final Compensation Period—*i.e.*, one Monthly Fee for March 2019 through and including
13 June 2020 — for a total of \$4,800,000.00 of Monthly Fees. Pursuant to the Engagement Letter
14 as modified by the Retention Order, commencing with the Monthly Fee earned by Lazard for
15 February 2020, Lazard has credited an amount equal to 50% of any Monthly Fees paid to Lazard,
16 totaling \$750,000.

17 13. Second, Lazard earned several post-petition Financing Fees totaling
18 \$172,700,000 on account of its work facilitating the issuance of \$9 billion of Equity Financing,
19 \$11.925 billion of Utility Secured Debt Financing and \$4.75 billion of HoldCo Secured Debt
20 Financing. The Financing Fees also account for Lazard's role in the Company obtaining
21 revolving credit facility commitments for \$3.5 billion of Secured Debt Financing at the Utility
22 and \$500 million of Secured Debt Financing at the HoldCo. Lazard's work related to the Equity
23 Financing entailed ongoing dialogue and negotiation with potential investors and backstop
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parties, structuring and analysis of potential financing transactions and liaising with equity underwriting banks. Lazard's work related to Secured Debt Financing entailed recurring analysis of potential debt financing structures to fund the Company's emergence from Chapter 11, negotiations with lenders and liaising with debt underwriting banks. Per Lazard's engagement letter with the Company, one-half of the Financing Fees paid in connection with debtor-in-possession Financing and Equity Financing are credited (without duplication) against the Restructuring Fee. In addition, \$1.5 million of monthly fees paid to Lazard from prior engagements with the Company are credited against the Financing Fees payable in connection with debtor-in-possession Financing and Secured Debt Financing (without duplication). Per Lazard's engagement letter, the maximum fee crediting is \$18.75 million.

14. Third, Lazard earned a Restructuring Fee in the amount of \$25,000,000. Pursuant to the Engagement Letter as modified by the Retention Order, a fee equal to \$25,000,000 shall be payable upon consummation of any Restructuring.

15. At the request of, and as an accommodation to the Debtors, Lazard voluntarily agreed to reduce its aggregate fees for these Cases by \$5,000,000. Accordingly the aggregate fees requested hereunder reflect the requested accommodation.

16. For the convenience of the Court and all parties in interest, attached hereto as **Exhibit D** is a summary setting forth the name of each professional for whose work on these reorganization cases compensation is sought.

SUMMARY OF SERVICE

17. The bankers of Lazard who rendered professional services during the Final Compensation Period in these cases are as follows: Kenneth M. Jacobs (CEO); David S. Kurtz (Vice Chairman); Mary Ann Deignan (Managing Director); Tomer Perry (Managing Director);

1 Ken Ziman (Managing Director); Christopher Couvelier (Director); Greg Hort (Director);
2 Christian Tempke (Director); Dan Katz (Vice President); Charles Kim (Vice President); Komu
3 Kumar (Vice President); Craig Durrant (Vice President); Eli Silverman (Vice President);
4 Andrew Wood (Vice President); Daniel Bier (Associate); Garrett Deutsch (Associate); Leah
5 Friedman (Associate); Alexander Lotz (Associate); Nathan Mooney (Associate); Erik Overman
6 (Associate); Logan Piper (Associate); Matthew Strain (Associate); Scott Belinsky (Analyst);
7 Luke Cummings (Analyst); Liam Fine (Analyst); Kevin Hatch (Analyst); Michael Hinz
8 (Analyst); Dan Liotta (Analyst); Maxwell Lubkeman (Analyst); TJ Nzewi (Analyst); Mackenzie
9 Peebles (Analyst); Quinn Pitcher (Analyst); Caroline Sambuco (Analyst); Katherine Tobeason
10 (Analyst); Bryant Wang (Analyst) and William Zhao (Analyst).
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13 18. During the Final Compensation Period, the Debtors relied heavily on the
14 experience and expertise of the above-named persons in dealing with matters described below.
15 Lazard's highly skilled restructuring and M&A professionals devoted significant time and effort
16 to perform properly and expeditiously the required professional services.
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18 19. A summary of some of the services rendered by Lazard during the Final
19 Compensation Period is as follows:

- 20
21 a. *First Day Hearing Support/DIP Financing* – Lazard provided material
22 assistance for the Debtors during the first day hearing, including financial
23 analyses and review of the declaration of David Kurtz in support of the DIP
financing, which explained the process that Lazard undertook to help the
Debtors raise the financing and the Debtors' need for post-petition financing.
24 b. *Review and Diligence of Business Plan* – Beginning after the Petition Date,
25 Lazard professionals expended significant resources and time reviewing the
26 Debtors' business plan and conducting due diligence of various financial
forecasts and operating scenarios. Lazard professionals met at length with the
Debtors' management to review capital spending programs, cost reduction
opportunities and wildfire safety initiatives.
27 c. *General Stakeholder Communications* – Lazard prepared, reviewed, advised
28 and assisted in the preparation of presentation materials for the advisors to the

1 unsecured creditors' committee, wildfire victims' committee, subrogation
2 claimants, shareholders, regulators and government leaders. These
3 presentation materials were intended to keep them informed about the
4 Debtors' operations, financial projections and liquidity and strategies for
5 progressing the cases to timely confirmation. Lazard participated in regular
6 conversations with multiple parties and their advisors about due diligence
7 materials and case issues as they arose.

- 8
- 9 d. *Financing and Capital Structure Evaluation* – Lazard prepared analysis of
10 potential capital structure alternatives for the Debtors to fund the emergence
11 from Chapter 11, including an assessment of debt capacity, credit rating
12 implications and regulatory compliance. As part of this work, Lazard analyzed
13 available capital sources and potential financing structures, including debt,
14 equity and municipal financing that the Company can utilize.
 - 15 e. *Capital Raising and Advisory* - Lazard directly interfaced with equity and debt
16 investors and worked with financing banks to raise the necessary capital to
17 finance the Debtors' emergence from Chapter 11. Ken Ziman, a senior
18 Managing Director, provided declarations with respect to the Debtors'
19 financing package and overall capital raising process. Lazard's work included
20 negotiation of key agreements, financial analysis, delivery of presentations to
21 the Debtors' Board of Directors and engagement with credit rating agencies
22 regarding ratings on the newly issued debt financing. Furthermore, Lazard
23 was centrally involved in the negotiation and structuring of registration rights
24 with respect to newly issued equity securities under the Debtors' Plan of
25 Reorganization.
 - 26 f. *General Bankruptcy Assistance* – Lazard participated in regular planning
27 sessions and other periodic meetings with the Debtors, their legal counsel and
28 their other advisors concerning process and strategy issues related to the
bankruptcy. Lazard monitored and reviewed operating results of the business,
the budget and performance against the budget. In addition, Lazard
participated in discussions with various stakeholders and constituencies to
keep them informed about the Debtors' operations, financial projections,
capital structure and other key events. Further, Lazard participated in regularly
scheduled board calls and assisted in the preparation of board materials.
 - g. *Assistance with Regulatory Filings* – Lazard analyzed, reviewed and advised
the Debtors on their regulatory filings with respect to the California Public
Utilities Commission. Lazard's work included financial analysis, peer
comparison and capital structure review and was completed in coordination
with members of the management team and other advisors. As part of this
effort, Lazard provided integral support in developing and analyzing the
Debtors' securitization application that was filed with the California Public
Utilities Commission during the Chapter 11 case.
 - h. *Assistance with Governmental Legislation* – Lazard analyzed, reviewed and
advised the Debtors on various governmental legislative proposals related to
the financing of utilities in the securitization market, the provision of

1 insurance to companies in the industry and the treatment of claimants from
2 future potential wildfires. Lazard's work included financial analysis, review of
3 government-sponsored insurance programs and engagement with key
4 constituencies on behalf of the Debtors.

- 5 i. *General Financial Analysis* – Lazard professionals assisted the Debtors'
6 management and other advisors in preparing various analyses related to the
7 Debtors' capital structure, financial projections and cash flow forecasts.

8 20. During the Final Compensation Period, Lazard incurred legal expenses in
9 connection with document collection, review and production conducted at the request of, in
10 consultation with and for the benefit of the Debtors. These expenses primarily involved
11 collection, review and production of documents in Lazard's possession that were potentially
12 responsive to discovery requests served on the Debtors by the Official Committee of Unsecured
13 Creditors and the Official Committee of Tort Claimants. Lazard's counsel reviewed these
14 materials in order to identify and withhold privileged materials and materials that reflected
15 confidential information belonging to Lazard clients from other engagements. The potentially
16 responsive materials not falling into either of these categories were then provided to Debtors'
17 counsel for responsiveness review. Lazard's counsel also assisted Lazard and Debtors' counsel
18 in connection with preparation for an anticipated deposition of a Lazard witness. These legal
19 expenses were necessary and beneficial to the Debtors' estates in enabling them to comply with
20 their discovery obligations. In addition, Lazard incurred legal expenses in connection with
21 preparing its fee requests and applications.

22 **ACTUAL AND NECESSARY DISBURSEMENTS OF LAZARD**

23 21. As set forth in Exhibit C hereto, Lazard expended \$1,093,273.01 in out-
24 of-pocket expenses relating to its professional services during the Final Compensation Period.
25 These charges are intended to cover Lazard's out-of-pocket costs paid to third parties related to
26 this engagement, which costs are not incorporated into Lazard's aggregate fees. Lazard has
27 maintained detailed records of actual and necessary expenses incurred during the Final
28 Compensation Period. With respect to expenses, it should be noted that Lazard has absorbed

certain expenses customarily charged by other professionals in bankruptcy cases. For example, Lazard does not allocate office telephonic charges by client and thus these costs are absorbed by Lazard in its overhead and not charged to the Debtors' estate. Lazard respectfully submits that the expenses for which it seeks allowance during the Interim Application Period are necessary and reasonable both in scope and amount.

LEGAL BASIS FOR INTERIM COMPENSATION

22. The professional services for which Lazard requests final allowance of compensation and reimbursement of expenses were rendered and incurred in connection with this case in the discharge of Lazard's professional responsibilities as investment banker for the Debtors in these Chapter 11 Cases. Lazard's services have been necessary and beneficial to the Debtors and their estates, creditors, and other parties in interest.

23. In accordance with the factors enumerated in section 330 of the Bankruptcy Code, Lazard respectfully submits that the amount requested by Lazard is fair and reasonable given the complexity of these Chapter 11 Cases, the time expended, the nature and extent of the services rendered, the value of such services, and the costs of comparable services other than in a case under the Bankruptcy Code. Moreover, Lazard has reviewed the requirements of the Interim Compensation Procedures Order, the Northern District Guidelines, and the UST Guidelines and believes that the Interim Application complies with all of them except as specifically noted herein.

RESERVATION

24. Although every effort has been made to include all fees and expenses incurred in the Interim Compensation Period and Final Compensation Period, some fees and expenses might not be included in this Application due to delays caused by accounting and processing during the Interim Compensation Period and Final Compensation Period. Lazard

reserves the right to make further application to the Court for allowance of such fees and expenses not included herein.

NOTICE

25. Notice of this Application has been provided to parties in interest in accordance with the procedures set forth in the Interim Compensation Order. Lazard submits that, in view of the facts and circumstances, such notice is sufficient and no other or further notice need be provided.

CONCLUSION

26. It is respectfully submitted that the Final Compensation Amount requested by Lazard is fair and reasonable given (a) the complexity of the issues presented, (b) the time and labor required, (c) the skill necessary to perform the financial advisory services, (d) the preclusion of other employment, and (e) the customary fees charged to clients in bankruptcy and non-bankruptcy situations.

WHEREFORE, Lazard respectfully requests the Court enter an order, substantially in the form for the Proposed Order:

(i) awarding on a final basis aggregate fees in the amount of \$31,200,000.00 and reimbursement of aggregate expenses in the amount of \$1,093,273.01 for the Final Application Period;

(ii) approving and directing the Debtors' payment of all allowed fees for services rendered and expenses incurred by Lazard in connection with this chapter 11 case that remains unpaid as of the date of entry of the Order; and

1 (iii) granting Lazard such other and further relief as is just and proper.
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1 LAZARD FRÈRES & CO. LLC,
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3 */s/ Ken Ziman*
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11 Investment Banker to the Debtors
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